

OLYMPIA, WASHINGTON

April 20, 2005

The State Finance Committee met in a special meeting after notice duly given to the press and radio of Thurston County.

Present: Michael J. Murphy, State Treasurer
Christine O. Gregoire, Governor
Brad Owen, Lieutenant Governor

Also Present: Allan J. Martin, Office of the State Treasurer
Tom Morrill, Office of the Attorney General
Darlene DeRose, Montague DeRose & Associates
Nancy Adams, Office of the State Treasurer
Dean Torkelson, Seattle-Northwest Securities
Svein Braseth, Office of the State Treasurer
William Tonkin, Foster Pepper & Shefelman
Vicki Cox, Office of the State Treasurer
Sue Melvin, Office of the State Treasurer
Sue Penley, Office of the State Treasurer
Jeff Caldwell, Department of Transportation
Rob Shelley, Seattle-Northwest Securities
Bill Starkey, Seattle-Northwest Securities
Shad Pruitt, Office of the State Treasurer
Pam Johnson, Office of the State Treasurer
Noah Crocker, Office of the State Treasurer
Barton Potter, Office of the State Treasurer
Beth Fernando, Montague DeRose & Associates
Nancy R. Notter, Office of the State Treasurer
Mike Roberts, Office of Financial Management

Chairman Murphy called the meeting to order.

Lt. Governor Owen moved the minutes for the January 25, 2005 meeting be approved. Chairman Murphy seconded the motion. The motion passed and the minutes were adopted.

Mr. Martin said proposed Resolution No. 1013 accepts the bids for the purchase of State of Washington Various Purpose General Obligation Refunding Bonds, Series R-2005A, in the aggregate principal amount of \$348,025,000, more or less, as authorized by Chapters 39.42 and 39.53 RCW and Resolution Nos. 875 and 945 of the Committee. Mr. Martin said five bids were received and accepted electronically through Parity at 7:30 a.m. Pacific Time.

Mr. Torkelson summarized the bonds being refunded in this sale. He said the gross savings on the bonds were \$52.5 million. He said the net present savings was almost \$40 million providing for a 9% savings ratio. This ratio exceeds the minimum 5% savings ratio required by the Committee. Merrill Lynch & Co. submitted a true interest cost (TIC) of 4.2115893%;

Lehman Brothers submitted a TIC of 4.2169979%; Goldman, Sachs & Co. submitted a TIC of 4.2170414%; Bear, Stearns & Co., Inc. submitted a TIC of 4.2181208%; and Citigroup Global Markets Inc. submitted a TIC of 4.2184349%, with the apparent low bidder being Merrill Lynch & Co. Mr. Torkelson said the bids were very tight.

Mr. Martin presented proposed Resolution 1013 to the committee.

Resolution 1013 awards the sale of State of Washington Various Purpose General Obligation Refunding Bonds, Series R-2005A, in the aggregate principal amount of \$348,025,000, more or less, as authorized by Chapters 39.42 and 39.53 RCW and Resolution Nos. 875 and 945 of the Committee.

Governor Gregoire moved to adopt Resolution 1013. Lt. Governor Owen seconded the motion and the resolution was adopted.

Mr. Martin said proposed Resolution No. 1014 accepts the bids for the purchase of State of Washington Motor Vehicle Fuel Tax General Obligation Refunding Bonds, Series R-2005B, in the aggregate principal amount of \$91,065,000, more or less, as authorized by Chapters 39.42 and 39.53 RCW and Resolution Nos. 875 and 945 of the Committee. Mr. Martin said five bids were received and accepted electronically through Parity at 7:30 a.m. Pacific Time. Citigroup Global Markets, Inc. submitted a TIC of 4.1088627%; Bear, Stearns & Co., Inc. submitted a TIC of 4.1581150%; Lehman Brothers submitted a TIC of 4.1651168%; Goldman, Sachs & Co. submitted a TIC of 4.1721523%; and Merrill Lynch & Co. submitted a TIC of 4.1737152%, with the apparent low bidder being Citigroup Global Markets, Inc.

Mr. Martin presented proposed Resolution 1014 to the committee.

Resolution 1014 awards the sale of State of Washington Motor Vehicle Fuel Tax General Obligation Refunding Bonds, Series R-2005B, in the aggregate principal amount of \$91,065,000, more or less, as authorized by Chapters 39.42 and 39.53 RCW and Resolution Nos. 875 and 945 of the Committee.

Governor Gregoire moved to adopt Resolution 1014. Lt. Governor Owen seconded the motion and the resolution was adopted.

Chairman Murphy said the next item on the agenda was an informational piece and did not require any action from the Committee. The state, acting through the Office of the State Treasurer, contracts for financial advisory services for its general obligation debt. Two firms serve as financial advisors, Seattle-Northwest Securities and Montague DeRose & Associates. Advisers are required to be in attendance when bids are received by the State Finance Committee to help verify bids, ensure compliance with financing terms and advise on the acceptance or rejection of bids. Financial advisers – typically, Dean Torkelson, primary contact at Seattle-Northwest Securities, and Darlene DeRose, primary contact at Montague DeRose & Associates—are available at State Finance Committee meetings to answer questions and offer advice. They also assist with the closing and delivery of bonds. These advisors, and colleagues at their respective firms, analyze the state's outstanding bonds to provide timely identification of refunding opportunities. Advisers help evaluate unsolicited proposals from investment bankers

for innovative financing strategies or financial products. They provide other services or advice as requested by the state.

Chairman Murphy said the financial advisory services agreement term is being renewed at the option of the state. This one-year additional term is the final extension allowed under the term of agreement that commenced May 1, 2002. The extension will leave in place the existing agreement under the same terms and conditions until April 30, 2006.

Mr. Torkelson said it has been an honor to continue to work with such effective and personable staff of the Treasurer's Office. Ms. DeRose agreed with that statement and added her gratitude of working with fun people and have been given some interesting opportunities by this office.

Chairman Murphy said his office was in the initial stages for planning for the annual rating agencies' visit to our state in either September or October. He said he felt it was advantageous to our state for various people to speak to the three rating agencies and invited the Governor and Lieutenant Governor to participate in those meetings. Staff from Standard & Poor's come from their San Francisco office, and Fitch and Moody's staff come from their New York offices. Governor Gregoire and Lt. Governor Owen agreed to be part of the presentations if schedules permit.

There being nothing further to come before the committee, the State Finance Committee meeting was adjourned at 10:15 a.m. and the Public Deposit Protection Commission meeting was called to order.

STATE FINANCE COMMITTEE
STATE OF WASHINGTON

Michael J. Murphy, State Treasurer & Chairman

Christine O. Gregoire, Governor & Member

Brad Owen, Lieutenant Governor & Member

Allan J. Martin
Deputy State Treasurer & Secretary